

HOUSING FINANCE IN INDIA

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Abstract

This paper is a survey that analyses the scenario of home loan in India. The study tells about the real estate sector progress in India and about the size of the market in India. The literature of this study analyses the current status of house financing in India and the extent to which it contributes in the growth of the economy keeping in mind the recent trends such as COVID-19 and its effect as reduced income and credit risk. This research was conducted to know about the customer's perception and satisfaction towards home loans. The research collected primary data through a Questionnaire that was distributed among random responders through online channels along with secondary data. The responses collected were restricted to Greater Noida region. The collected data helps to know about the responder's views and experience related to home loan services.

Keywords: Real Estate in India, Current scenario in India, Home Loan, Benefits of Home Loan, Market share of House Financing Companies, Customer Experience and Satisfaction

INTRODUCTION

The phenomenon of living within India is difficult to understand since it is impacted by political, social, economic, and environmental aspects. The nation's urban structure is made up of territories, residential areas, and informal settlements—homogeneous divisions based on economic and social identity. Residential regions in India were easily accessible and accommodating to residents' requirements prior to urbanisation. The divide of culture, community, and architecture was a result of the building industry's commercial incentives.

Housing finance in India refers to the provision of financial support in the way of credit or loans to individuals or entities for the purchase, construction or

renovation of residential properties. Housing finance plays a crucial role in realizing the dream of home ownership for individuals and families and has grown significantly in India in recent years.

The housing finance sector in India has various players such as banks, non-banking finance businesses (NBFCs), home finance companies (HFCs), and other financial institutions. These lenders offer different housing finance products such as house loans, house improvement loans, land loans and construction loans tailored to different demographics.

REAL ESTATE SECTOR IN INDIA

Real estate is among the most well-known global sectors. Accommodation, retail, hotel services, and business make up its four subsectors. The expansion of this sector is closely correlated with the expansion of the corporate environment, the demand for office space, and the price of housing in cities and urban areas. In terms of the direct and indirect impact on the economy, the construction sector is the third largest.

After the agricultural sector, the real estate industry in India employs the second-highest number of people. In the medium and long terms, this industry is anticipated to draw more non-resident Indian (NRI) investment. Additionally, the country's real estate market is expanding due to rising industrial activity, significant urbanisation, and rising earnings. This will help the nation's economy even more. For NRI investors, Bengaluru is said to be the most well-liked location, followed by Ahmedabad, the city of Pune, Chennai, Goa, Delhi, and Dehradun.

About the projected period, the Indian real estate industry is anticipated to increase at a compound annual growth rate of about 15%. The nation's housing market has been impacted by the COVID-19 outbreak. The

housing sector was also severely impacted by harsh cutbacks in India's major cities, which slowed down mortgage disbursements, stopped home registrations, and negatively impacted home sales. The sector is, however, in a recovery stage as a result of the rise in flat sales, the beginning of new developments, and the rise in demand for new office and retail space.

In addition, the government launched key policies aimed at such as the Real Estate Act (RERA) and the Benami Transactions Act, are helping to promote the real estate sector. Along with other things, the government promotes the construction of affordable housing through buyer interest incentives, service tax deductions, DDT deductions, and PR campaigns for foreign investors.

SIZE OF THE MARKET

- The industry of real estate would grow by 2040 to Rs. 65,000 crores from a total of Rs. 12,000 crores in 2019. According to projections, India's real estate sector would represent 13% of the nation's GDP by 2025 and will increase from \$200 billion in 2021 to \$1 trillion in 2030.
- Commercial, hotel, and retail space is expanding considerably and gives India much-needed infrastructure.
- Compared to the \$29 billion raised so far, Indian enterprises are predicted to receive more than Rs. 3.5 trillion in infrastructure and real estate investment capital in 2022.
- The Economic Times Housing Finance Summit states that there is a demand for five new apartments for every 1,000 people, but only approximately three are built annually.
- There should be a shortage of more than 10 million apartments in the cities.

CURRENT SCENARIO OF HOUSING FINANCE IN INDIA

Urbanisation, rising disposable incomes, and government attempts to encourage affordable housing are just a few of the factors that have contributed to India's housing finance sector's tremendous growth in recent years. However, the sector has also had to deal

with a number of difficulties, such as the COVID-19 pandemic's effects and a slowdown in the real estate. The following are some significant trends and changes in India's present home finance environment:

- **Growth and market share:** India's housing finance industry is dominated by a few large players, with HDFC being the largest with a market share of around 25 percent. ICICI Bank, SBI, LIC Housing Finance, and Axis Bank are other prominent players in this industry.
- **Interest rates:** interest rates on home loans in India have been at historically low levels for the past few years, driving demand for home loans. In recent months, however, interest rates have begun to rise due to inflationary pressure.
- **Digitization:** Indian housing finance companies are increasingly adopting digital technologies to improve customer experience, simplify operations and improve risk management. Digitization is more on rise after the pandemic, which has accelerated the transition to digital channels.
- **Affordable housing:** Lately, the Indian government launched various initiatives that build affordable housing in the country such as Pradhan Mantri Awas Yojana (PMAY) program and Affordable Rental Housing Complex (ARHC) program. These initiatives have helped improve access to housing finance for poor households and foster inclusive economic growth.
- **COVID-19:** The COVID-19 pandemic has had major effect on the housing finance industry in India, as borrowers face challenges such as reduced income and increased credit risk. Housing finance companies have responded by offering loan restructuring programs and implementing digital technologies to minimize the impact.

HOME LOANS

Home loans, or Mortgages, use the borrower's home as collateral. This home can be a detached house, a detached house with up to four apartments, and an apartment or co-op unit. Lenders finance mortgages, but both the lenders themselves and brokers acting on behalf of the lender, issue or process them.

A loan is made available to the customer to help with the cost of buying or building a new house based on his

suitability and the loan conditions of the bank. The ultimate desire of any middle-class family is to own a home. The government encouraged housing finance branches by offering several tax incentives to individuals.

FUNCTION

The common purpose of a house loan is to provide the buyer with the necessary funds to purchase a house. By taking a home loan, the homeowner can loan against the difference between the value of the home and the current loan balance, or equity. Investor loans give buyers the opportunity to buy apartments as rental properties or fix them up and sell them at a profit.

ADVANTAGES OF HOME LOAN

Soaring real estate prices have made it difficult for many to buy their dream home, but mortgages are easy to obtain and can finance up to 80% of the home price. A mortgage is a loan given to an individual to purchase a home. The property is pledged to a bank or other financial institution until the loan is repaid. Lenders must retain title to the home until the loan is paid in full and pay interest when it is due. In addition to buying real estate, you can take out a mortgage to build or renovate your home.

1. Tax incentives for housing loans

To encourage more people to buy their own homes, the Indian government is allowing tax breaks on mortgage principal and interest. Income tax can only be credited after the house is built. Income tax cannot be claimed on properties under construction.

Section 24 - Taxpayers benefit from the interest amount of their mortgage if they repay the loan. A maximum of INR 2 lakhs can be deducted for self-contained properties.

Section 80C -Tax benefits under Section 80C are limited to INR 1.5 lakh per annum and taxpayers can avail additional home loan benefits for availing loans.

2. Tax benefits on second house

In the case of second home, there is a right to claim a deduction under Section 24B of the Income Tax Act of the total amount of mortgage interest paid.

3. No prepayment or foreclosure charges

A mortgage offers a lot of flexibility when it comes to repayment, as most lenders do not charge you a down payment or foreclosure on your loan. You will not be charged foreclosure costs or prepayments if you pay off the loan before the previously decided loan period and become debt free.

4. Affordable rates

A mortgage is long-term in nature, so financial institutions often consider your credit history and past payment history before making an offer. Since these types of loans can easily reduce the repayment period by two or three decades, your monthly EMIs will not be too high. One can always choose a lower EMI and a longer loan term if you want to maintain tabs on your monthly spending and set money aside.

5. Balance transfer facility

Compared to a private or car loan, a home loan is relatively longer, so the possibility to transfer the balance is a decisive advantage. If you are in the early years of repaying your home loans, it may be beneficial to transfer the remaining loan amount to a financial institution or lender that offers better and lower interest rates and other services. A balance transfer option is a major advantage, as it helps you choose a lender with a lower interest rate. Ultimately, this lowers the overall cost of your loan.

6. Easier to buy a home

For many people, buying a home with their own money is not possible, a mortgage, because it can be paid in easy monthly payments, makes it easier to buy an apartment.

7. Enjoy capital appreciation

Assets increase in value over time and real estate is one such asset. A house loan helps you buy a property with easy repayment plans, making home ownership easier, while investing in an asset that can appreciate in the future, helping you earn a better return on your investment.

8. Longer repayment period

In general, a longer loan term should be chosen because it reduces the repayment burden of the borrower. EMI amount per month for a long-term loan is less as compared to EMI amounts for a shorter loan period. This loan will help to plan better finances. After weighing all the pros and cons, be sure to choose the repayment term keeping in mind your financial plan and convenience.

Vidhayavathi. K (2002) stated in her study the evaluation of the activities of housing financial institutions with certain selected business parameters and the opinion survey of mortgage loan applicants and came to the conclusion that in addition to interest rate advertising, service quality, courtesy and service speed are also some other important dimensions influencing growth. housing finance sector.

J.P. Sah (2011) stated that The Year Book of Manorama (1997) also made reference of the fact that housing is not a static issue, but rather one that is rising. This is because the current understanding of housing does not limit the idea of housing only to provide shelter and is an integral part of the general housing policy population improvement and economic development.

OBJECTIVE OF THE STUDY

1. To study customer's awareness related to housing finance services.
2. To understand the customers, their experience towards home loan in India among various house financing companies.
3. To study customers satisfaction towards home loans.

REVIEW OF LITERATURE

Goyal and Joshi (2011) have stated in their study on Social and Ethical Aspects of Banking Industry that Banks can expand their activity as a socially and morally oriented association only by giving credit to those social, moral and ecological organizations.

Parekh (1988) stated that the ultimate goal of the housing fund is to improve the home loan issuance process across the country to create an institutional system that will facilitate the loan issuance process, allocate the potential value base of the framework in general, and dismantle the legal framework. for risk management of mortgage lending organizations.

RESEARCH METHODOLOGY

The purpose of this study is to gather information from the respondents regarding the knowledge they possess towards home loan and their experience of going through taking a home loan.

Research Design

The research is explanatory in nature as the research is to know about the awareness related to home loan services present in market.

Data Collection

1. Primary Data

This research is partially based on the primary sources that is through the questionnaire made on the google sheet and distributed among the respondents. This questionnaire contains questions about the awareness they have towards the housing finance services also their experience through it. The responses were collected from 100 respondents from a region in Greater Noida.

2. Secondary Data

This research also used secondary information from the articles published in magazines, journals, websites, etc.

Instrument Used

The questionnaire was framed for easy understanding and consisted of multiple choice question types. The data collected were analyzed and coded in SPSS software for chi-square test and frequency tables like bar chart.

DATA PRESENTATION AND ANALYSIS

A. Frequency table and pie chart of various age groups

		Age			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	25-30 yrs	6	6.0	6.0	6.0
	31-35 yrs	10	10.0	10.0	16.0
	36-40 yrs	43	43.0	43.0	59.0
	41-45 yrs	5	5.0	5.0	64.0
	46-50 yrs	19	19.0	19.0	83.0
	51-55 yrs	10	10.0	10.0	93.0
	56-60 yrs	7	7.0	7.0	100.0
	Total	100	100.0	100.0	

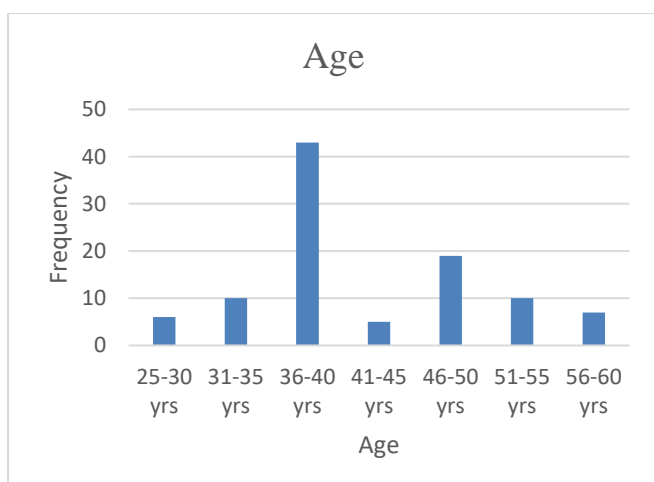
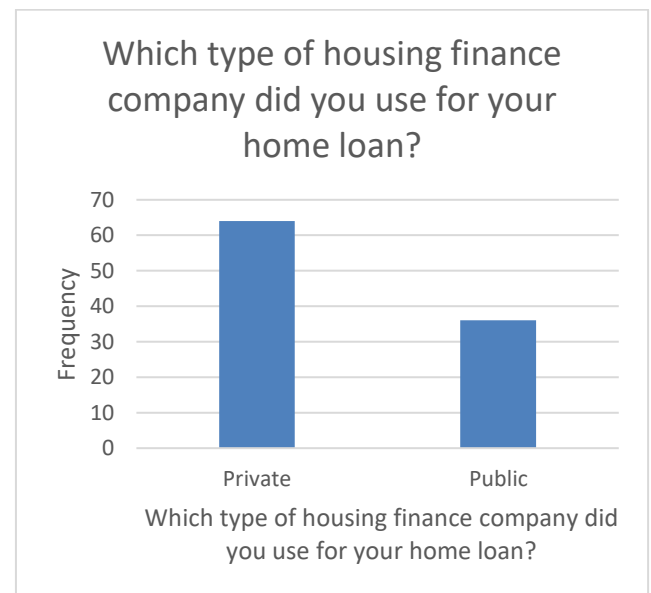


Table 1: Type of housing finance company used for home loan

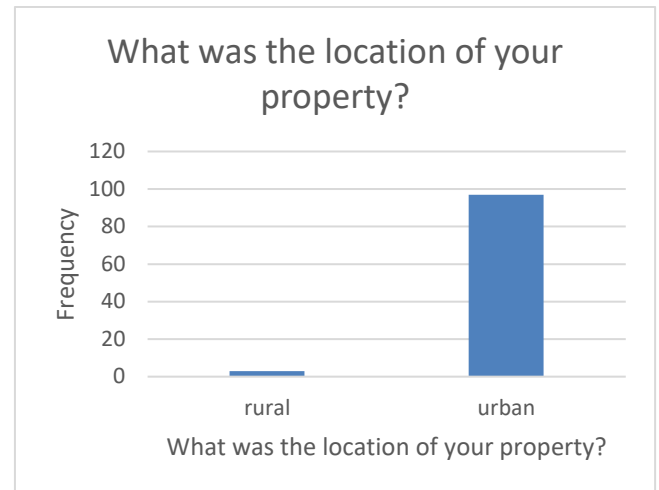
Which type of housing finance company did you use for your home loan?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Private	64	64.0	64.0	64.0
	Public	36	36.0	36.0	100.0
	Total	100	100.0	100.0	



Observation: Among the 100 respondents, 64 respondents took homeloan from private company whereas 36 took from a public company.

Table 2: Interest rate charged by housing companies.

What was the interest rate charged for your home loan?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High	7	7.0	7.0	7.0
	Low	93	93.0	93.0	100.0
	Total	100	100.0	100.0	



Observation: Among the 100 respondents, 97 had their property location in urban areas.

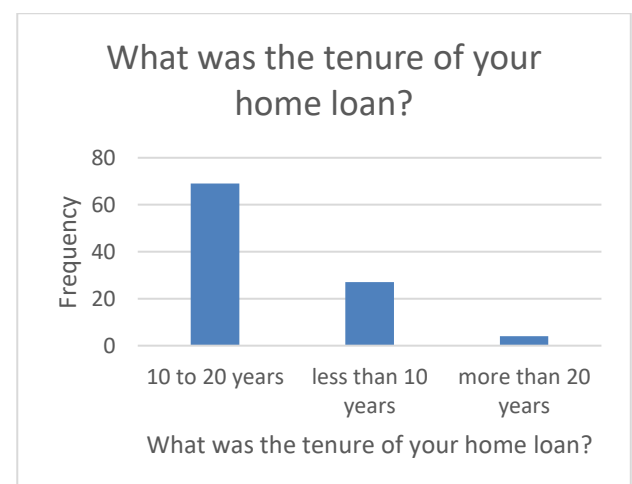
Table 4: Tenure of home loan

What was the tenure of your home loan?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	10 to 20 years	69	69.0	69.0	69.0
	less than 10 years	27	27.0	27.0	96.0
	more than 20 years	4	4.0	4.0	100.0
	Total	100	100.0	100.0	

Observation: Among the 100 respondents, 7 respondents were charged high interest rate whereas other 93 were charged low.

Table 3: Location of the property

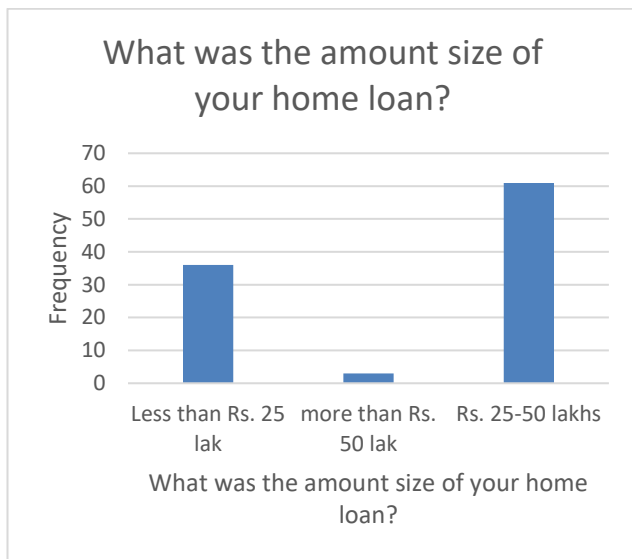
What was the location of your property?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	rural	3	3.0	3.0	3.0
	urban	97	97.0	97.0	100.0
	Total	100	100.0	100.0	



Observation: Among the 100 respondents, 69 had duration of 10 to 20 years for their loan, 27 for less than 10 years and 4 for more than 20 years.

Table 5: Amount size of home loan

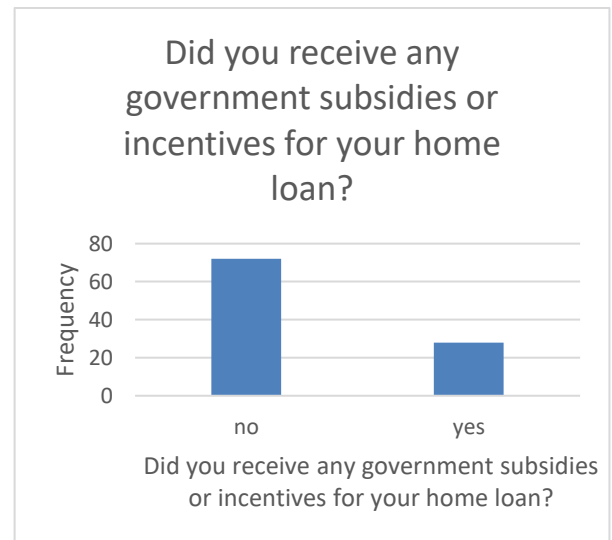
What was the amount size of your home loan?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than Rs. 25 lak	36	36.0	36.0	36.0
	more than Rs. 50 lak	3	3.0	3.0	39.0
	Rs. 25-50 lakhs	61	61.0	61.0	100.0
	Total	100	100.0	100.0	



Observation: Among the 100 respondents, 36 took loan of Less than Rs. 25 lakhs, 3 took more than Rs. 50 lakhs, 61 took loan between Rs. 25-50 lakhs.

Table 6: Government subsidies/ incentives received.

Did you receive any government subsidies or incentives for your home loan?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	no	72	72.0	72.0	72.0
	yes	28	28.0	28.0	100.0
	Total	100	100.0	100.0	



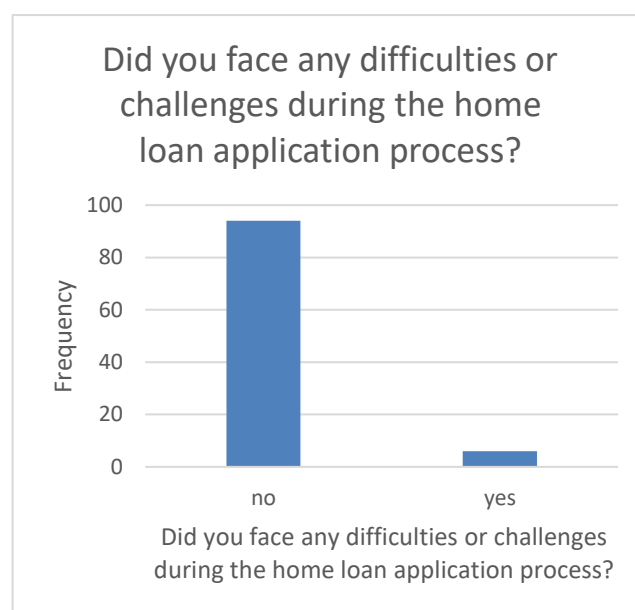
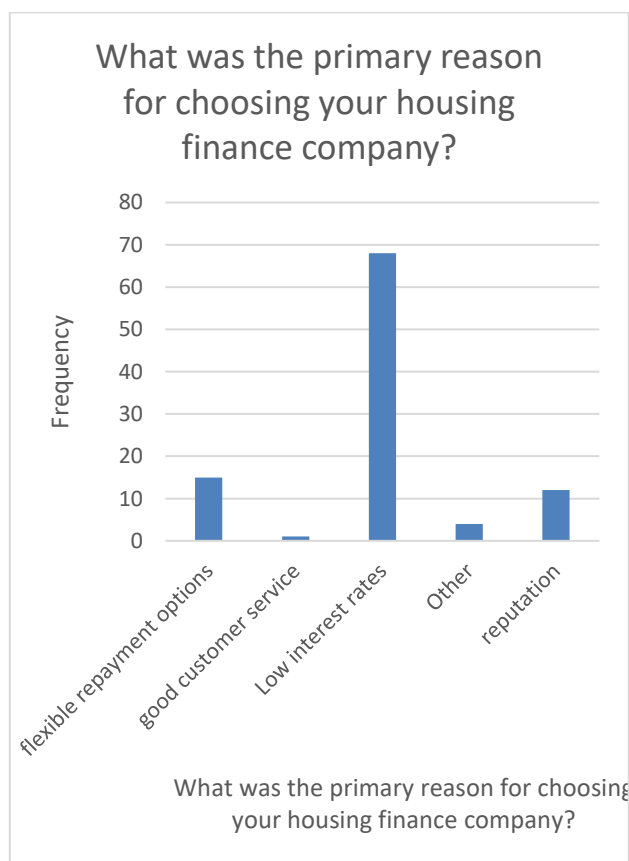
Observation: Among the 100 respondents, 72 did not receive any government subsidies or incentives and 28 received government subsidies or incentives.

Table 7: Primary reason for choosing home loan company.

What was the primary reason for choosing your housing finance company?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	flexible repayment options	15	15.0	15.0	15.0
	good customer service	1	1.0	1.0	16.0
	Low interest rates	68	68.0	68.0	84.0
	Other	4	4.0	4.0	88.0
	reputation	12	12.0	12.0	100.0
	Total	100	100.0	100.0	

Table 8: Difficulties faced during home loan application.

Did you face any difficulties or challenges during the home loan application process?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	no	94	94.0	94.0	94.0
	yes	6	6.0	6.0	100.0
	Total	100	100.0	100.0	



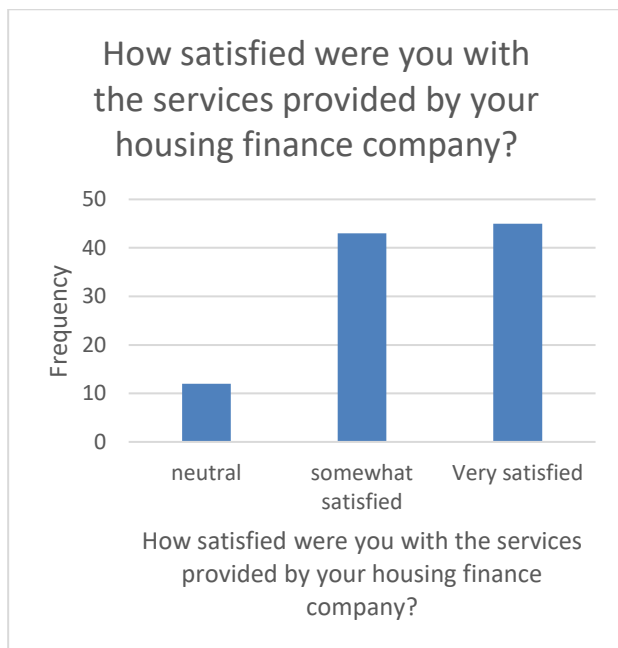
Observation: Among the 100 respondents, primary reason for 68 for choosing a specific housing company was Low interest rates, 15 for flexible repayment options, 4 had other reasons, 1 was good customer service and 12 had reputation.

Observation: Among the 100 respondents, 94 did not face any difficulties or challenges during the home loan application process and 6 did.

Table 9: Satisfaction from the services provided by company.

How satisfied were you with the services provided by your housing finance company?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	neutral	12	12.0	12.0	12.0
	somewhat satisfied	43	43.0	43.0	55.0
	Very satisfied	45	45.0	45.0	100.0
	Total	100	100.0	100.0	

Would you recommend your housing finance company to others?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	no	5	5.0	5.0	5.0
	yes	95	95.0	95.0	100.0
	Total	100	100.0	100.0	



Observation: Among the 100 respondents, 43 were somewhat satisfied from the services provided by company, 45 were very satisfied, 12 had neutral reaction for the same.

Table 10: Recommendation to others

Observation: Among the 100 respondents, 95 would recommend their housing finance company to others and 5 would not.

LIMITATIONS

Since this research was time bound only few of the aspects of the study could be taken into account. Also, this project was limited to a region in Greater Noida so the survey shows a minor part of opinions related to home loans and thus cannot be considered the opinion as a whole of a state.

FINDINGS

- According to the questionnaire survey, maximum people who had taken loan were between the age group of 36-40 years.

- The survey showed that private housing finance companies were preferred a bit more than public home loan banks.
- According to the survey, the respondents were charged low interest rates for their home loan.
- As observed in survey, most of the respondents took home loan for their property in the urban location.
- According to the survey, 69 percentage of the respondents took home loan for the duration of 10 to 20 years.
- In the survey, more than half of the respondents i.e., 61 percentage took home loan of amount size lying between 25 to 50 lakhs.
- From the above survey, 72 percentage of the respondents did not receive any government subsidies or initiatives for the home loan.
- According to the survey, the primary reason for choosing a particular housing finance company for 68 percentage of respondents were low interest rates provided by the company.
- The above survey also stated that 94 percentage of respondents faced no problem or difficulties while going through the procedure of home loan application.
- From the above survey, 43 percent of respondents were somewhat satisfied by the services provided by their housing finance company and 95 percent responders would recommend their company to others.

CONCLUSION

India's HFC loan portfolio has grown over the years, fueled by rising housing demand and urbanization. They have played an important role in expanding access to housing finance for individuals and families across income groups, including the middle income and affordable housing segments.

The Indian market of home loan has grown significantly in recent years due to factors such as rising disposable incomes, urbanization, favorable demographics, government initiatives, easier access to credit and innovations in the industry. The Government of India has introduced various initiatives to boost affordable housing and strengthen the housing finance sector, such as PMAY and CLSS, which have made housing loans more accessible and affordable to the EWS and low-income earners. Easier access to credit, digitization and

competitive offers from lenders have also contributed to the growth of the housing finance sector in India. However, before taking out a mortgage, borrowers should carefully consider their financial situation, interest rates, loan term and other terms so that they can manage their loan repayments responsibly.

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